

Fiscal Management Division  
Statewide Fiscal Oversight Dept.  
Expenditure Audit Section

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Final

# **Desk Audit – Charge Card Program**

## **530 – Texas Department of Family and Protective Services**



**Glenn Hegar**  
Texas Comptroller of Public Accounts

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## Executive Summary

Audit best practices indicate that data analytics has a critical role in uncovering fraud, waste, abuse and monitoring risks. The Comptroller's Fiscal Management Division, Expenditure Audit (EA) section now uses data mining techniques to:

- Run statewide system reports to identify instances of possible fraud, waste, abuse and/or noncompliance.
- Follow up on any instances found by performing desk audits.

The desk audits are conducted in accordance with Texas Government Code, Section 403.011(13) and assist EA with the annual risk assessment for the post-payment audit process.

In this instance, auditors conducted desk audits of certain agencies' activities based on ad hoc reports from the Uniform Statewide Accounting System (USAS) and the Citibank reporting system. These desk audits help determine if state agencies and institutions of higher education have adequate monitoring controls over the purchase and travel card payment process, which prevent rebate losses from the Citibank Charge Card Program.

Texas Department of Family and Protective Services (Department) was identified as an agency with a rebate loss/charged-off amount of \$123,104.10 for the period Sept. 1, 2010 through Aug. 31, 2016. The Department was also identified as having made payments toward the Citibank cards using the incorrect billing account number in violation of the Comptroller's policy requirements prescribed by [\*Processing Third-Party Transactions in USAS for Payment/Travel Cards, Direct Bill Payments and Reimbursements \(FPP A.043\)\*](#) and [\*USAS and CAPPs Financial Invoice Number Field Requirements \(FPP E.023\)\*](#).

In a letter dated Aug. 11, 2017, auditors requested the Department to provide its written policies and procedures relating to the use and monitoring of purchase and travel cards, as well as its written policies and procedures relating to the recording of purchase and travel card payment transactions in USAS. Auditors also requested that the Department indicate if:

- Cardholders with charged-off accounts are still employed with the agency and still use assigned purchase/travel cards; and
- Account balances owed to Citibank were paid by the agency or by the cardholders.

The detailed results of the completed review of the Department's policies, procedures and supporting documentation are described in this report's Detailed Issues and Findings and cover the following issues:

- Payments do not always comply with contract requirements.
- Policies and procedures do not address monitoring credit card payments.

- [Citibank Charge Card Program Online Program Tools](#) were not used to monitor credit card usage and manage the program.
- Rebate losses were not reimbursed to the State of Texas.
- The Department used one Citibank credit card number to process credit card payment instead of the correct billing account number.

## Detailed Issues and Findings

Below is a summary of the Department's policies, procedures and supporting documentation review:

The Department's outstanding balances totaling \$123,104.10 are shown to have been settled with Citibank through an offset against rebates that the State of Texas would have received from Citibank. The Department indicated that, out of the 95 individual cardholders with charged-off account balances:

- Fifty-three individual cardholders are still employed with the Department, five of which were notated as "paid in full" by the Department.
  - ◊ Four of the individuals still employed with the Department were additionally notated as having an active card with a new card number.
- Forty-two individual cardholders had been terminated, four of which were notated as "paid in full" by the Department.

Auditors note that payments made in full after an account has become delinquent does not resolve the fact that Citibank already offset the delinquent balance against rebates that the State of Texas would have received.

Furthermore, the Department:

- Did not indicate if collection efforts were made on the 53 individuals who are still with the Department.
- Did not explain why the cards were not canceled between 2012 and 2015 in compliance with [34 Texas Administrative Code Section 20.413\(d\)\(2\)](#).

For the 42 individuals who were terminated, the Department did not specifically indicate:

- When the charged-off individual accounts were actually canceled.
- If all of the cards were recovered from the cardholders.

### Travel Cards Policy

The Department has formalized policies and procedures governing state travel charge cards in its handbook. The relevant policy statements specify that cardholders must pay their state travel charge card bills upon receipt, without regard to reimbursement claim status. The policies strictly prohibit delinquent accounts, and accounts at 30 days of delinquency will result in a verbal warning to the employee. At 60 days of delinquency, the card is revoked with no eligibility for re-issuance.

Although these procedures require the Department to take certain actions against delinquency, they did not specify how the Department would monitor the individual accounts for timely payment, nor who would be responsible for such monitoring. The procedures did not state what tools or reports would be used to find the delinquent accounts.



## **Proposed Travel Cards Policy**

The Department provided auditors with a copy of the proposed updates to its travel policy. The update adds that, at 30 days of delinquency, the credit limit on the state travel charge card would be reduced to \$1 until the delinquent amount is paid in full. At 60 days of delinquency, in addition to the card being revoked, the employee would be placed on Comptroller hold for the amount due on the Citibank invoice; warrant offset would be used to pay the amount owed. The update also applies the same procedures (card revocation and warrant hold) to terminated employees who have delinquent balances on the state travel charge card. Lastly, the proposed update makes it possible for employees to be re-issued a state travel charge card 12 months after revocation.

## **Procurement Cards Policy**


The Department also provided its procurement card policy for review. Unlike travel cards, procurement cards are not paid by the individual cardholder. Since the Department did not have any charge-off on the procurement card accounts (all charged-off account balances were on individual billed travel cards), no further review of this policy was necessary.

## **Incorrect Billing Account Number**

In reviewing the ad hoc reports, auditors noted that the Invoice Number field contained the actual Citibank credit card number. This is in conflict with FPP A.043 and FPP E.023, both of which require that the last 10 digits of the central billing account (CBA) number is to be used as the invoice number in USAS and CAPPS when processing CBA card payments.

Per FPP E.023, payees must be able to identify and reconcile payments they receive from state agencies and institutions of higher education. The invoice number field in USAS and CAPPS Financials should be used to provide payees with the payment-related information needed to reconcile payments. As noted in the policy, payment-related information must not include any confidential information or Protected Health Information. Agencies have a responsibility to keep confidential information private. Disallowed data include travel and procurement credit card numbers.

Entering procurement and travel card transactions in USAS or CAPPS Financials requires special considerations for the timely reconciliation of payments. If FPP A.043 and FPP E.023 are not consistently followed, the risk exists that payments that do not include the correct information in the invoice number field will not post to the correct account(s) on a timely basis, leading to the account(s) becoming delinquent and ultimately resulting in lost rebate dollars. Citibank's system posts payments received from the State Treasury based on information in USAS and CAPPS Financials. The automated interface expects the last 10 digits of the CBA number, with no spaces or dashes. If Citibank's system retrieves an unexpected value due to incorrect entry in the invoice number field, it will be unable to post the payment automatically. Citibank must then manually research the rejected entry and post the payment to the correct account, which could cause delays in posting.



Also, FPP A.043 and FPP E.023 are consistent with the current Payment Card Industry (PCI) Data Security Standard (DSS). The DSS requirement “Protect stored cardholder data” (Requirement 3) dictates that the primary account number be rendered unreadable anywhere it is stored. This can be done by truncating a portion of the account number. The FPPs require truncating the first six digits of the CBA number. Therefore, the FPPs should be fully and consistently followed for every payment transaction.

## Insufficient Monitoring Controls

### Finding

The Department did not have sufficient monitoring controls in place to prevent rebate losses from the Citibank Charge Card Program. The Department incurred a rebate loss/charged-off amount of \$123,104.10 for the period Sept. 1, 2010 through Aug. 31, 2016.

### Recommendation/Requirement

1. The Department must ensure payments to Citibank comply with the State of Texas and Citibank Contract No. 946-M2 and any future contracts.
2. The Department should clarify its policies and procedures to indicate the division/group responsible for monitoring state travel charge cards, and the tools/reports to be used in performing the monitoring. This will ensure that expenses are paid and paid timely according to the contract terms, thereby eliminating rebate loss on the payment card program.
3. As a matter of precaution against further delinquencies, the Department should re-issue state travel charge cards judiciously; the Department should consider additional restrictions on those cardholders with a known history of delinquencies.
4. The Department should utilize the [Citibank Charge Card Program Online Program Tools](#) to monitor cardholder usage and help ensure compliance. This tool flags card activity when it exceeds pre-set program parameters.
5. The Department should attempt to collect the delinquent balances that were charged off by Citibank from the individual cardholders. The Department must reimburse the state's unappropriated general revenue for rebate losses in the amount of \$123,104.10.


### Department Response

*DFPS agrees with the findings of the State of Texas regarding Citibank Contract No. 946-M2 and will ensure all future payments will comply with the contract.*

*The Travel Services Department is responsible for the monitoring of the State Travel Charge Card Program ensuring all expenses are paid timely according to contract terms, thereby eliminating a rebate loss to the credit card program. Reports are ran on the 8th and 20th of the month using Citibank's online report system for delinquency, activity, and unauthorized use. Emails are sent to the credit card holder and their superiors regarding non-compliance with the State Travel Charge Card Program.*

*The four credit card holders still employed with DFPS, who were issued new credit cards, are strictly monitored to verify they are in compliance with the contract.*





*The department recovered all cards from the cardholders whose accounts were closed for non-payment or termination.*

*At this time the proposed State Travel Card Policy and updated forms are in Policy Review for editing and publication. We anticipate the new policy and updated forms will be ready for use in the fall of 2018. The proposed policy will allow us to reduce the credit limit to \$1 if an employee is over 10 days late making a payment. This will ensure the traveler will not be able to increase the debt owed until the payment is received. If the travelers credit card is closed for non-payment or termination we will be authorized to place the card holder on HOLD for the balance due on the charge card. The warrant offsets will ensure all funds are paid to Citibank eliminating any loss to the Citibank rebate program.*

*The Travel Services Department is in the process of creating and mailing letters to the 95 credit card holders regarding repayment to the agency for the lost rebates. The \$123,104.10 in lost rebates will be reimbursed to the state's unappropriated general revenue fund. The Travel Services Department and Cash Management Department will be working together ensuring the funds will be repaid in an accurate and timely manner.*

## Incorrect Billing Account Number

### Finding

The Department processed credit card payments using the credit card number. Posting the credit card number opens the Department up to risks such as unauthorized individuals using the credit card number for purchases. Additionally, posting the incorrect account number may result in the vendor (Citibank) not being able to directly or timely post payments to the Department's purchase and travel card accounts.

### Recommendation/Requirement

1. The Department must comply with FPP A.043, when processing card payments. When travel or procurement card charges are being paid, only the last 10 digits of the Department's CBA number are to be entered in the invoice number field. It should be noted that while the CBA number happens to be 16 digits, it is not an actual credit card number.
2. The Department must use and reference FPP E.023 when processing CBA and CLIBA invoices. FPP A.043 and FPP E.023 are consistent with the current Payment Card Industry (PCI) Data Security Standard (DSS) requirements and therefore should be fully and consistently followed for every payment transaction.

### Department Response

*DFPS agrees with the findings of the State of Texas regarding the processing of credit card payments using the credit card number. The Department has taken steps to ensure credit card payments will be processed in compliance with FPP A.043.*

*In addition, the applicable staff have been trained and instructed to use and reference FPP E.023 when processing CBA and CLIBA invoices, consistent with PCI DSS requirements.*

## Appendices



# Appendix 1 — Desk Audit Process Overview

Desk audits are conducted by the Expenditure Audit (EA) section of the Comptroller's Statewide Fiscal Oversight Department within the Fiscal Management Division in accordance with Texas Government Code, Section 403.011(13).

## Audit objectives

Desk audits use data mining techniques and reports from statewide systems to:

- Identify instances of possible fraud, waste, abuse and/or noncompliance.
- Follow up on any instances found by performing desk audits.

## Comptroller's office responsibilities/supporting statute

State law allows the Comptroller's office to audit a payment voucher before or after the Comptroller's office makes a payment in response to that voucher in accordance with Texas Government Code, Section 403.071(g)-(h).

In addition, state law authorizes the Comptroller's office to conduct pre-payment or post-payment audits on a sample basis in accordance with Texas Government Code, Sections 403.011(a)(13), 403.079, 2155.324.

## Methodology

1. Run ad hoc reports from USAS and Citibank.
2. Use one or more of the following audit criteria:
  - [State of Texas Charge Card Program](#)
  - [State of Texas Procurement and Contract Management Guide](#), Commercial Charge Card section
  - [Procurement Rules](#)
  - [Travel Policies](#)
  - [Processing Third-Party Transactions in USAS for Payment/Travel Cards, Direct Bill Payments and Reimbursements \(FPP A.043\)](#)
  - [USAS and CAPPS Financial Invoice Number Field Requirements \(FPP E.023\)](#)

## Fieldwork

For each entity listed on the ad hoc report, auditors must perform the following:

1. Review delinquency reports.
2. Obtain card transactions for delinquent accounts. Agency to determine:
  - a. Is cardholder still employed with the agency or another state agency?
  - b. Did cardholder pay account balance?

Review cardholder transactions: Expenses travel-related or personal? Expenses reimbursed?

3. Obtain and review the agency's written policies and procedures to gain understanding of how the agency issues, uses and monitors payment cards.
  - a. Did agency cardholder agreements exist?
  - b. Does the agency have monitoring procedures for cardholder delinquency?
  - c. If so, what are the procedures? Were procedures followed?
4. Review the invoice number field on credit card reports. Indicate all payments where incorrect information was entered into this field.
5. Obtain and review the agency's written policies and procedures to gain understanding of how the agency enters credit card payments in USAS.
  - a. Do the agency's procedures comply with FPP A.043 and FPP E.023?
  - b. Were the procedures followed?

## Reporting

The audit findings are reported formally to the audited agency in the form of a report. The audit report includes recommendations and requirements for implementing or improving preventive controls that help reduce associated risks.